

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name	Township of Bengal	County	CLINTON	Type	TOWNSHIP	MuniCode	19-1-020
Opinion Date-Use Calendar	Aug 19, 2008	Audit Submitted-Use Calendar	Aug 20, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 346,567.00
General Fund Expenditure:	\$ 280,852.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 569,919.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Aaron	Last Name	Stevens	Ten Digit License Number			1101024055	
CPA Street Address	3511 Coolidge Road, Suite 10	City	East Lansing	State MI	Zip Code	48823	Telephone	+1 (517) 351-6836
CPA Firm Name	Abraham & Gaffney, P.C.	Unit's Street Address	2518 S. Lowell Road	City	St. Johns	LU Zip	48879	

**Township of Bengal
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Township of Bengal
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Principals

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Bengal
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Bengal, Michigan as of and for the year ended March 31, 2008, which collective comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Bengal as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 19, 2008

BASIC FINANCIAL STATEMENTS

Township of Bengal

STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 450,275
Investments	110,382
Receivables	7,309
Due from other governmental units	<u>12,614</u>
Total current assets	580,580
Noncurrent assets	
Capital assets not being depreciated	28,943
Capital assets, net of accumulated depreciation	<u>8,115</u>
Total noncurrent assets	<u>37,058</u>
TOTAL ASSETS	617,638
LIABILITIES	
Current liabilities	
Accounts payable	<u>7,661</u>
NET ASSETS	
Invested in capital assets	37,058
Unrestricted	<u>572,919</u>
TOTAL NET ASSETS	<u>\$ 609,977</u>

See accompanying notes to financial statements.

Township of Bengal
STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 50,157	\$ 15,170	\$ -	\$ (34,987)
Public safety	15,700	-	-	(15,700)
Public works	213,204	-	3,277	(209,927)
Health and welfare	2,935	-	-	(2,935)
Recreation and cultural	1,174	-	-	(1,174)
Total governmental activities	<u>\$ 283,170</u>	<u>\$ 15,170</u>	<u>\$ 3,277</u>	(264,723)
General revenues:				
Property taxes				231,950
State revenue sharing				80,272
Investment earnings				8,208
Other				<u>7,966</u>
Total general revenues				<u>328,396</u>
				Change in net assets 63,673
Net assets, beginning of the year				<u>546,304</u>
Net assets, end of the year				<u>\$ 609,977</u>

See accompanying notes to financial statements.

Township of Bengal

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 447,275	\$ 3,000	\$ 450,275
Investments	110,382	-	110,382
Taxes receivable	7,155	-	7,155
Accrued interest	154	-	154
Due from other governmental units	12,614	-	12,614
TOTAL ASSETS	\$ 577,580	\$ 3,000	\$ 580,580
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,661	\$ -	\$ 7,661
FUND BALANCES			
Reserved for cemetery care	-	3,000	3,000
Unreserved			
Undesignated, reported in General Fund	569,919	-	569,919
TOTAL FUND BALANCES	569,919	3,000	572,919
TOTAL LIABILITIES AND FUND BALANCES	\$ 577,580	\$ 3,000	\$ 580,580

See accompanying notes to financial statements.

Township of Bengal

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Total fund balance - governmental funds \$ 572,919

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 50,998	
Accumulated depreciation is	<u>(13,940)</u>	
Capital assets, net		<u>37,058</u>
Net assets of governmental activities		<u><u>\$ 609,977</u></u>

See accompanying notes to financial statements.

Township of Bengal

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2008

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
REVENUES			
Taxes	\$ 245,632	\$ -	\$ 245,632
Intergovernmental	83,549	-	83,549
Charges for services	1,488	-	1,488
Interest	7,932	276	8,208
Other	7,966	-	7,966
TOTAL REVENUES	346,567	276	346,843
EXPENDITURES			
Current			
General government	47,839	-	47,839
Public safety	15,700	-	15,700
Public works	213,204	-	213,204
Health and welfare	2,935	-	2,935
Recreation and cultural	1,174	-	1,174
TOTAL EXPENDITURES	280,852	-0-	280,852
EXCESS OF REVENUES OVER EXPENDITURES	65,715	276	65,991
OTHER FINANCING SOURCES (USES)			
Transfers in	276	-	276
Transfers out	-	(276)	(276)
TOTAL OTHER FINANCING SOURCES (USES)	276	(276)	-0-
NET CHANGE IN FUND BALANCES	65,991	-0-	65,991
Fund balances, beginning of year	503,928	3,000	506,928
Fund balances, end of year	\$ 569,919	\$ 3,000	\$ 572,919

See accompanying notes to financial statements.

Township of Bengal

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds	\$ 65,991
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Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense	<u>(2,318)</u>
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Change in net assets of governmental activities	<u>\$ 63,673</u>
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See accompanying notes to financial statements.

Township of Bengal

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bengal Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Township governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Bengal. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes property taxes, interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund and nonmajor fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund of the Township is:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to the same limitation. The Township does not have any business-type activities.

5. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

Township of Bengal
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and savings accounts and certificates of deposit with an original maturity of less than 90 days from the date of purchase. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

7. Due From Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for State revenue sharing collected that is still owed to the Township.

8. Capital Assets

Capital assets include land, buildings, and equipment. Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	20 years
Equipment	5-10 years

9. Property Taxes

Bengal Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2008, the Township levied .9805 mills per \$1,000 of assessed valuation for general governmental services and 4.5000 mills for roads, bridges and chloride. The total taxable value for the 2007 levy for property within the Township was \$42,390,903.

Township of Bengal
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Bengal is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, the carrying amount of the Township's deposits was \$560,657 and the bank balance was \$560,657, of which \$300,000 was covered by federal depository insurance. The remaining balance of \$260,657 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Township of Bengal
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in the Township's investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Township will do business in accordance with the Township's investment policy.

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to General Fund from:	
Nonmajor governmental fund	\$ <u>276</u>

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008, was as follows:

Governmental activities

	<u>Balance</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2008</u>
Capital assets not being depreciated				
Land	\$ 28,943	\$ -	\$ -	\$ 28,943
Capital assets being depreciated				
Buildings	3,975	-	-	3,975
Equipment	<u>18,080</u>	<u>-</u>	<u>-</u>	<u>18,080</u>
Total capital assets being depreciated	22,055	-0-	-0-	22,055

Township of Bengal
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE D: CAPITAL ASSETS - CONTINUED

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2008</u>
Less accumulated depreciation for:				
Buildings	\$(3,975)	\$ -	\$ -	\$(3,975)
Equipment	<u>(7,647)</u>	<u>(2,318)</u>	<u>-</u>	<u>(9,965)</u>
Total accumulated depreciation	<u>(11,622)</u>	<u>(2,318)</u>	<u>-0-</u>	<u>(13,940)</u>
Net capital assets being depreciated	<u>10,433</u>	<u>(2,318)</u>	<u>-0-</u>	<u>8,115</u>
Capital assets, net	<u>\$ 39,376</u>	<u>\$ (2,318)</u>	<u>\$ -0-</u>	<u>\$ 37,058</u>

Depreciation expense of \$2,318 was charged to the general government function on the statement of activities.

NOTE E: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, additional equipment, electronic data, and inland marine losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

NOTE F: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of March 31, 2008:

Nonmajor governmental fund	
Reserved for cemetery care	<u>\$ 3,000</u>

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level.

Township of Bengal
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Township board	\$ 2,586	\$ 2,800	\$ 214
Supervisor	6,926	7,500	574
Treasurer	8,712	9,000	288

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bengal

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 226,500	\$ 225,105	\$ 224,886	\$ (219)
Delinquent property taxes	5,000	6,186	7,064	878
Administrative and collection fees	11,900	12,230	13,682	1,452
Total taxes	243,400	243,521	245,632	2,111
Intergovernmental				
State revenue sharing	80,000	80,770	80,272	(498)
Metro maintenance fee	3,187	3,277	3,277	-0-
Total intergovernmental	83,187	84,047	83,549	(498)
Charges for services	1,950	1,938	1,488	(450)
Interest	500	984	7,932	6,948
Other	6,450	9,417	7,966	(1,451)
TOTAL REVENUES	335,487	339,907	346,567	6,660
EXPENDITURES				
General government				
Township Board	2,800	2,586	2,800	(214)
Supervisor	7,500	6,926	7,500	(574)
Clerk	10,300	9,190	9,000	190
Board of review	405	361	-	361
Assessor	8,065	7,414	7,414	-0-
Treasurer	9,300	8,712	9,000	(288)
Elections	1,200	977	977	-0-
Building and grounds	2,050	1,475	-	1,475
Cemetery	3,000	2,435	2,435	-0-
Professional services	6,225	6,666	670	5,996
Other	8,520	8,420	8,043	377
Total general government	59,365	55,162	47,839	7,323

Township of Bengal

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public safety				
Fire protection	\$ 17,400	\$ 15,700	\$ 15,700	\$ -0-
Public works				
Highways, streets, and bridges	187,300	203,464	202,783	681
Drains	12,000	10,421	10,421	-0-
Total public works	199,300	213,885	213,204	681
Health and welfare				
Ambulance	2,935	2,935	2,935	-0-
Recreation and cultural				
Library	1,174	1,174	1,174	-0-
TOTAL EXPENDITURES	280,174	288,856	280,852	8,004
EXCESS OF REVENUES OVER EXPENDITURES	55,313	51,051	65,715	(1,344)
OTHER FINANCING SOURCES				
Transfers in	-	-	276	-0-
NET CHANGE IN FUND BALANCE	55,313	51,051	65,991	14,664
Fund balance, beginning of year	503,928	503,928	503,928	-0-
Fund balance, end of year	\$ 559,241	\$ 554,979	\$ 569,919	\$ 14,664

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Township Board
Township of Bengal
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Bengal as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Bengal's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

WRITTEN PROCEDURES AND POLICIES

Based on our discussions with management, we noted that the Township has not formally adopted written procedures and policies for areas of operation that directly or indirectly affect financial reporting. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible.

Specifically, we recommend that the Township develop, formally adopt, and implement written procedures and policies affecting the financial reporting process in the following areas:

- a. Fraud risk management program - We recommend the Township adopt a formal fraud risk management program. The program should include policies and procedures on ways for management to prevent, detect and deter fraudulent activities.

WRITTEN PROCEDURES AND POLICIES - CONTINUED

- b. Conflict of interest policy - A conflict of interest policy will clarify the Township's position on ethical behavior and communicate that position to employees and board members. We recommend the Township develop and implement a policy addressing conflict of interest and include it in the policy manual and periodically require a declaration of compliance from employees and board members. The Township should also obtain conflict of interest disclosure statements from its employees and board members.
- c. Business continuity plan - A business continuity plan would clarify Township's position if an interruption of critical business processes were to occur. We recommend the Township develop and implement a policy addressing business continuity and include it in the policy manual.
- d. Capital asset policy - This policy would set forth, among other things, a dollar threshold for items purchased by the Township, which would be considered material, long-lived assets that should be capitalized and depreciated. The Township must be able to record and report financial data reliably to assure sound internal control over the financial reporting. We recommend the Township develop a written capitalization policy and formally adopt the policy through Board action.

MANAGEMENT DISCUSSION AND ANALYSIS

The Township has not presented a management's discussion and analysis (MD&A). The Governmental Accounting Standards Board (GASB) has determined that it is necessary for governmental entities to supplement their basic financial statements with a MD&A, which would be an analysis of the financial performance for the year.

It has historically been common for many small governments to omit a MD&A. As a result, management's understanding and view of the financial statements are not readily available for a reader's consumption.

We are communicating these circumstances as required by professional standards. We recommend the Township Board consider the benefits of preparing a MD&A as well as the related costs to do so.

PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America.

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls.

All Michigan governments are required to prepare financial statements in accordance with GAAP. This is a responsibility of the government's management. The preparation of financial statement in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

We are communicating these circumstances as required by professional standards; however, we do not see a need for any changes in the situation at this time.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily identify all deficiencies in internal control that might be considered to be material weaknesses. We consider the deficiency described below to be a material weakness in internal control over financial reporting.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the proper recognition of various aspects throughout the general ledger were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries included entries to adjust the cash basis records to modified accrual basis in accordance with generally accepted accounting principles.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls. We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

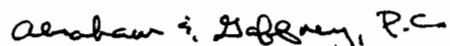
BUDGETS

As noted in the financial statements, some of the activities of the Township's General Fund exceeded the amounts appropriated.

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Township from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management and Members of the Board of Trustees for the Township of Bengal, others within the government, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 19, 2008